



Vol. 2, No. 1, January 2005

Focus on Innovation

Focus on Innovation is a monthly electronic newsletter designed to provoke thoughts and ideas on how to bring innovation to life within the organizations in which we work.

For Those on the Run

Often overlooked in organizations is the great power in the social network of an organization to efficiently guide innovation and change. Smart leaders are tuning into the relationship networks in their organization - who is talking to who, who's connected to whom, where the hot spots are in the network - and leveraging these relationship links to drive innovation and productivity.

The Power of Social Networks to Drive Innovation

When was the last time you stopped to think about how innovation and work gets done in your organization? If you did, you may be surprised to find out that it is the efficiency of your organization's social network of employees giving, hoarding, influencing or accumulating information that is really driving innovation and productivity. Karen Stevenson, professor of management at UCLA, states "when you think about it, very little of the working knowledge necessary to make products or deliver services lies in the formal, procedural policies of a company. Real working knowledge lies in the relationships between employees" -- the social network -- the seamless and invisible web of entrusted connections.

Interestingly, very few organizations have attempted to better understand the social network in their organizations and how to use this information to develop teams, increase communication, build customer supplier relationships and drive innovation. Organizations, such as the J.P. Morgan & Company, IBM, and the U.S. Defence Advanced Research Projects Agency's Information Awareness Office, who have done this work have profited tremendously. Maria Leo, a senior human resources executive at Merrill Lynch & Company says their social network analysis "captures the relationships in our organization and looks at how work is actually accomplished - who is communicating with whom on an organizational level, and whether the right relationship links exist -it's like a high-level MRI of the organization."

Professor Stephenson has developed and tested a concept she calls "quantum theory of trust" which explains not just how to recognize the collective cognitive capability of organizations, but how to cultivate and increase it. In her research based on work with Fortune 500 organizations, Professor Stephenson has concluded what savvy managers have known intuitively: "The form and substance of talk in an organization is as palpably influential on performance as a magnetic field is on a cluster of iron filings. Companies can exert far greater control over their competitiveness and their future than most researchers have ever thought possible, by putting the right people in the right places and fostering new

opportunities for them to talk to each other."

The first step to better understand the social network in an organization is to create a visual "network map." By mapping the social network within an organization and analyzing it, the organization can uncover and track the number of links among individuals in the network, the frequency with which people communicate, the relative significance of their communication, and the number of people through which a message passes. By understanding an organization's social network, it will not only point to how its informal network itself has an intelligence, more than the sum of its parts and beyond the cognition of any one individual, but also how to intervene far more effectively to improve the health and trust in the organization's relationship networks, and foster creative conversations leading to innovation.

Second, analyzing the "network map" will point to the pivotal people in the organization -- the "hubs," "gatekeepers" and "pulse takers." Hubs are the people who are directly connected to the most people (they hold a lot of face-to-face conversations); they know where the best resources are and they act as clearinghouses of information and ideas, although they often are not aware of their own importance. Gatekeepers are those connected to the "right" people; they are the powers around the throne, and often they know their own importance. Finally, pulse takers are indirectly connected to a lot of people who know the right people; they are "friends of a friend" in vast numbers of people across widely divergent groups and interests; they carry a lot of influence, but it tends to be subtle. The results of this analysis can help a leader explain the most puzzling successes and failures in his or her organization and help employees understand how more "hub" like behaviour could benefit them in their work done.

Relationship network management involves recognizing the potential of relationships within the organization and using them to share and learn, creating and sustaining a conscious flow of information across the organization that leads to innovation and productivity. Once an organization has a better understanding of its social network, what's working and what's not, it can take proactive steps to strengthen existing relationships via such things as team building interventions, redesigning work spaces to better facilitate conversation, one-on-one counselling sessions, etc.

What's the Bottom line

Any leader wanting rapid, radical change will get better results by tapping into its social network rather than relying on its hierarchy. To do this, it needs to better understand its current relationship network and how effectively it is working in driving innovation and productivity.

This article was adapted from articles by Karen Stephenson, *A Quantum Theory of Trust* (forthcoming, FT Prentice Hall), 2005 (see <http://www.netform.com/html/s+b%20article.pdf>) and Carol Hilderbrand, *Mapping the Invisible Workplace*, July 15, 1998 Issue of CIO Enterprise Magazine (http://www.cio.com/archive/enterprise/071598_intellectual.html).



Please feel free to pass this newsletter on to others.

If you would like more information about the ideas and topics listed in this issue, contact Judy Laws, Ph.D. at jlaws@foursightconsulting.com.

For more ideas on creativity, innovation, to join or be removed from the newsletter distribution list, visit www.foursightconsulting.com.